



EUROPEAN NEWS

Madrid raises petrol prices 22.5%

BY DAVID GARDNER IN MADRID

THE SPANISH Government yesterday announced a 22.5 per cent increase in the price of petrol, and substantial rises in the price of other oil-derived fuels. It warned that if fuel consumption did not drop as a result over the next six months, more drastic action, such as rationing, would be taken.

1979, compared with the same period last year. The 1978 increase was 8.2 per cent, while overall energy consumption rose by 4 per cent, a figure only exceeded by Libya in the rest of the world.

Bombs hit at Spain's economic mainstay

BY OUR MADRID CORRESPONDENT

THE WEEK-LONG bombing campaign against Spanish tourist resorts by Basque guerrillas has again raised the stakes in what is fast becoming an insoluble problem.



Basques resident in the French Basque country last February was always likely to ensure that the French would not get off lightly.

Nuclear power urged by W. German energy chief

BY GUY HAWTIN IN FRANKFURT

WEST GERMAN energy supplies are assured for this winter and the coming year, according to Herr Rudolf von Bennigsen-Foerder, chief executive of Veba, the country's largest energy concern.

European banks prepare joint credit card scheme

BY CHARLES BATCHELOR IN AMSTERDAM

EUROPEAN BANKS are preparing to launch a joint credit card scheme and a uniform European travellers' cheque to halt the inroads by U.S. banks into their markets.

U.S. Senator warns on SALT II ratification

BY DAVID SATTER IN MOSCOW

MR. ROBERT BYRD, the majority leader of the U.S. Senate, arrived in Moscow yesterday and warned the Russians against any suggestion that the Senate's role was simply to "rubber-stamp" the SALT II agreement.

Jonathan Carr reports from Bonn on the Christian Democrats' surprising choice of a champion.

Herr Strauss gets his chance at last

THE ALMOST impossible has happened after all. The West German opposition parties have decided that Herr Franz-Josef Strauss will be their candidate for the Chancellorship in the general election next year.



'Vigilante groups' call after Jura violence

By John Wicks in Zurich

OFFICIAL approval for the formation of local armed vigilante groups has been demanded by a group of politicians in the Jura region of Canton Bern.

Italy makes final attempt to break wages deadlock

BY PAUL BETTS IN ROME

SIG. VINCENZO SCOTTI, the Labour Minister in the outgoing Italian Government, was involved in final attempts last night to break the deadlock in the negotiations for a new contract for the 1.5m engineering and metal workers, as unions sharply increased industrial action throughout the country.

Berlinguer admits poll errors

BY RUPERT CORNWELL IN ROME

SIG. ENRICO BERLINGUER, the Italian Communist Party leader, has admitted publicly the errors made by his party which contributed to its defeat in last month's general election.

Turkish Right in role of victim

BY OUR ANKARA CORRESPONDENT

TURKEY'S Right-wing extremists, long regarded as behind much of the political violence in the country, are complaining bitterly that their role is now that of victim.

Gibraltar 'a vital area'

BY OUR OWN CORRESPONDENT

FROM A European defence point of view, Gibraltar is a vital strategic area and it is more important than ever that the Strait be kept clear for allied shipping, according to Gibraltar's governor and commander-in-chief.

Irish plan postal reform

BY STEWART DALBY IN DUBLIN

IRELAND HAS announced plans to reform its post and telecommunications systems, after a crippling four-month post and telephone strike.



Herr Franz-Josef Strauss, the West German Opposition's new candidate for Chancellor, opens a party board meeting on Monday.

fact, he is able to unite the whole CDU-CSU around him for the election fight. And even if he does, could he lead the combined opposition to victory?

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OVERSEAS NEWS

Harlech finds 'common ground' on Rhodesia

BY TONY HAWKINS IN SALISBURY

LORD HARLECH, Mrs. Thatcher's special envoy to Zimbabwe Rhodesia, claimed yesterday that he had been able to detect "common ground" between the black front-line states and the Muzorewa government in Salisbury.

Bazargan Cabinet gains in authority

By Andrew Whitley in Tehran

IRAN'S Prime Minister, Dr. Mehdi Bazargan, has emerged after a series of political meetings among the country's ruling groups.

An economy in need of direction

On Monday June 4 an International Monetary Fund team was in Ghana to see what progress had been made on a stabilisation plan for the economy.

immediate effect of the new policy was to increase consumption and Ghana's limited supplies are in danger of becoming exhausted very soon.



Ghana's confused political and economic climate after the junior officers' coup last month is examined by MARK WEBSTER, reporting from Accra.

ASEAN offer on boat people

BALI—The five members of the Association of South-East Asian Nations (ASEAN) have agreed to lift their ban on providing first asylum to Vietnamese boat people, provided that the refugee resettlement programme is speeded up.

South Africa's neighbours aim to lessen dependence

SOUTH AFRICA'S economic hegemony over its black-ruled neighbours to the North is the target of a conference which opened yesterday in the northern Tanzania town of Arusha.

Bazargan's provisional Government likely to be seen to be taking on more authority

Dr. Bazargan's provisional Government is likely to be seen to be taking on more authority in its own right, in the opinion of the Iranian Press.

Armed Forces Revolutionary Council (AFRC) has already made one departure from the IMF stabilisation plan

The 1978-79 budget was designed to try to curb the import of non-essential consumer goods. The import bill was to be restricted to the same levels as the previous year (\$900m), while a system of priorities in granting import licences was established and came into effect from January this year.

marked improvement on the previous year. The 1978-79 budget was designed to try to curb the import of non-essential consumer goods.

Advertisement for Baazara wool clothing. Features large stylized text 'Baazara' and 'Brnr'. Text includes: 'Wool clothing has a special, natural warmth. A unique thermal quality that makes it warm to wear when it's cold. Comfortable when it's mild.' and 'Do something now. Later's too late.'



For more information about public attitudes to wool, its thermal characteristics, or appropriate sources of supply, contact Section E, The International Wool Secretariat, U.K. Branch, Wool House, Carlton Gardens, London SW1Y 5AE.

AMERICAN NEWS



Kissinger attacks Rhodesia policy

By David Buchan in Washington

DR. HENRY KISSINGER, the former Secretary of State, has sharply criticised President Carter's Rhodesia policy...

Dr. Kissinger, in an extended interview largely on Africa policy published by the Washington Post yesterday, said he was speaking now because the U.S. still had some margin of manoeuvre on Zimbabwe-Rhodesia.

While it was prudent, he said, for the U.S. to keep in line with the British on sanctions, it was wrong for the Carter Administration by retaining sanctions almost without condition, to have placed "the entire moral responsibility" on Britain.

Dr. Kissinger, whose interest while in office was drawn to Southern Africa by fears that it would become caught up in the global East-West competition, commented: "We run the risk of a verbal position that is radical, a practical position that is impotent, and a theory justifying Cuban and Soviet intervention whenever they judge it is time to heat up conditions again."

The former Secretary of State also criticised the Administration's policy towards Nicaragua—though he did not put President Anastasio Somoza in the same category as the Shah of Iran, who he has earlier said, was "insufficiently backed by the U.S."

BRAZILIAN OVER-POPULATION

Where babies breed poverty

BY DIANA SMITH IN RIO DE JANEIRO

BRAZIL is moving cautiously towards an official policy of limiting population growth, after decades of belief that rapid expansion of population would increase the country's international influence.

Between 1850 and 1960 the population of Brazil, which covers 3.5m square miles (over a third of South America) grew by 831 per cent to nearly 71m. Nineteen years later, the population has risen to 120m, with 60 per cent in urban areas—almost the reverse of the 1960 urban-rural distribution.

Dissension in White House over energy proposals

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

PRESIDENT CARTER'S nationally televised address to the nation on energy tomorrow night is more likely to concentrate on the analysis of current problems than on specific policy proposals.

Mr. Carter will almost certainly outline, though not necessarily in detail, what he considers to be the desirable next steps—namely a standby petrol rationing plan, which was turned down by Congress in April, and a major drive to develop alternative sources of energy.

But as much as anything else, he will want to emphasise to the public, and to Congress, the need for "a bold and forceful programme that, under the scrutiny of the Congress and the public, will be highly acceptable," as he said on Monday.

There have been signs that Congress has become more receptive to action on energy than it was a few months ago. The House of Representatives which has already passed a windfall

profits tax Bill which is harsher than the White House proposal, is moving rapidly to enact synthetic fuels legislation and seems more willing to give Mr. Carter's standby rationing authority.

Meanwhile, Mr. Carter this week gave the state governors extra powers to move petrol supplies from rural areas, where shortages are less common, to the starved cities. He is also about to put into effect regulations limiting thermostat settings in public buildings.

But these moves do not disguise the fact that the Administration is not agreed on precisely what to do. The New York Times, for example, reported yesterday that there was deep dissatisfaction inside the White House over the way energy policy has been handled by the Energy Department.

Much additional power over policy has already been given to Mr. Stuart Eizenstat, the President's domestic affairs counsellor and chairman of the energy task force operating in-

General Electric pays 30%

BY JOHN WYLES IN NEW YORK

YET ANOTHER major pay deal, this time covering 117,000 General Electric workers, appears to have breached the Carter Administration's pay policy.

Tentative agreement has been reached at GE on wage and benefit increases unofficially estimated as worth more than 30 per cent over three years.

With negotiations between the United Auto Workers and General Motors starting on July 16, the GE settlement has gloomy implications for securing a car industry deal in line with the policy of limiting increases to 3.5 per cent over three years.

General Electric, like General Motors, has been a prominent supporter of the Administration's anti-inflation policy, but faced with two unions prepared to strike and with prices rising

Go-ahead for reactor 'will not be rushed'

BY DAVID LASCELLES IN NEW YORK

THE Nuclear Regulatory Commission indicated yesterday that it will not rush into allowing the undamaged No. 1 reactor at Three Mile Island to start up again.

Ordering that the reactor remain shut down, it said that it would issue another order in 30 days, detailing the operating conditions which the reactor must meet.

The Three Mile Island number 2 reactor broke down on March 28, precipitating the worst nuclear accident to date in the U.S. The number one reactor was shut down for refuelling at the time, and has not been allowed to start up again. Similar reactors built by Esbco and Wilcox elsewhere were also ordered to be shut down until modifications were carried out.

Sandinistas take garrison

MANAGUA — Sandinista guerrillas overran Nicaraguan National Guard garrison in Matagalpa, 55 miles Northeast of Managua, after controlling the city for nearly a month and keeping Government troops pinned down in their barracks.

The Government claimed to have launched a counter-offensive to retake Masaya, 20 miles South of the Capital, but reporters in the area found minimal National Guard activity.

The Sandinistas regrouped in Masaya over the weekend after withdrawing from Managua's eastern slums, which they had held for two weeks.

Mr. Lawrence A. Pezzullo, the new U.S. Ambassador to Nicaragua, has returned to Washington for consultation after five days in Managua, unsuccessfully urging President Somoza to resign.

W. Germany wary about influx of large cars

By Leslie Colitz in Berlin

NOT LONG ago an American car with West German licence plates had a distinctly under-world connotation to West Germans, who associated Detroit's "road cruisers" with ladies of the night and Levantine carpet merchants.

Several declines of the dollar later, the American car is selling to respectable West Germans, who have decided that it is a relatively cheap way of outgating the Schultzes next door.

West Germany has overtaken Switzerland and the Benelux countries as the leading European market for U.S. cars, although the 7,000 or so cars sold last year would not appear to warrant concern in the executive suites of West German carmakers.

WORLD TRADE NEWS

Nissan may exchange car technology with Europe

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

NISSAN MOTOR Company would be willing to supply its car exhaust emission control technology to any interested European motor manufacturer.

Mr. Ishihara said he did not think that "purely Japanese" manufacturers (such as Nissan and Toyota) could afford to remain isolated while manufacturers elsewhere were entering into tie-ups of various kinds.

He noted that recent technology-sharing agreements between motor manufacturers had involved companies of equal strength and had not been merely examples of the strong helping the weak.

International tie-ups involving Japan include Honda Motor Company's agreement with BL, the former British Leyland, and the capital stakes of General Motors, Ford and Chrysler in Isuzu, Tokyo Kogyo and Mitsubishi Motors Corporation.

industry enjoys a substantial lead over Japan. Other areas which Nissan is stressing include the design and production of small diesel engines for passenger cars and the use of mini-computers to control fuel injection systems.

Nissan conducted a sweeping reorganisation of its management structure early last year, part of which was to improve the company's capabilities in the field of product development.

The reorganisation included the appointment of six engineers to top management posts. The company also decided early this year to build a ¥500m (£100m) product design centre at Atsugi, outside Tokyo.

Apart from its drive to improve product design Nissan is setting itself ambitious energy saving targets. Mr. Ishihara said the company would attempt to cut energy consumption by 10 per cent in each of the next three years.

EEC 'discrimination' criticised

BY HUGH O'SHAUGHNESSY

THE DISCRIMINATION exercised in almost every sphere by the EEC in trade was sharply criticised by Sr. Julio Cesar Turbay, the President of Colombia, at a lunch in London yesterday.

President Turbay completed his three-day official visit to Britain today with a visit to the Longannet coal mine in northern Scotland. He will be in London and lunch with the Queen at Holyroodhouse.

The Colombian leader, who leaves for Brussels today, said that he would complain to the EEC about the obstacles standing in the way of the expansion of trade between the Community and the Andean Pact countries.

At a meeting at the Colombian port of Cartagena just over a month ago the pact countries—Colombia, Venezuela, Ecuador, Peru and Bolivia—agreed to give President Turbay a wide ranging economic brief to speak on their behalf on his current tour of Europe.

Sr. Turbay said that Britain's surplus on trade with Colombia over the past three years had gone from \$26.6m in 1976 to \$57.7m last year. He said Colombia's inability to sell more in Britain was because of restrictions imposed on its members by the EEC and the favoured treatment given to the signatories of the Lome Convention.

Malta to lift textiles ban

BY GODFREY GRIMA IN VALETTA

Mr. Dom Mintoff, the Maltese Prime Minister, has announced that his Government will lift its ban on the import of textiles from Britain following a new accord reached with the EEC.

The agreement covers new textile export quotas from Malta. Britain, under the new arrangement, had agreed to raise Malta's quota for trousers from 400,000 to 800,000 for the current year. Quota increases

President Turbay's defence and finance ministers had held talks yesterday with the defence and finance ministers of the Ministry of Defence, British Shipbuilders and the Export Credits Guarantee Department.

Among the Colombian projects in which British industry hopes to participate are the exploitation of Colombia's vast coal reserves in the Guajira Peninsula and the building of underground railways in Bogota and Medellin.

Canada's U.S. car trade deficit rises

By Victor Mackie in Ottawa

CANADA'S automotive trade deficit with the U.S. leapt to \$333.6m (£139m) in the first three months of this year, up from \$262m (£27m) in the same period last year. At the same time, the deficit in automotive trade with other countries increased to \$108m in the January to March period, up from \$81m on the same period in 1978.

The Statistics Branch of the Canadian Government said that a worsening of the chronic deficit in vehicle parts was blame for the latest decrease in automotive trade with the U.S. Imports of all automotive parts from the U.S.—including fully manufactured cars and trucks, as well as parts—increased to \$33.8bn in the January-March period, up 38 per cent from the same period a year ago. Exports rose 28 per cent to \$33.47bn.

Imports of parts from the U.S. rose 40 per cent to \$23.5bn, while exports increased 37 per cent to \$13.58bn.

Northrop awarded \$500m Boeing parts contract

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BOEING has awarded Northrop of the U.S. a contract worth more than \$500m (£230m) to build a further number of fuselage panels and main deck passenger and cargo doors for the Boeing 747 jumbo jet.

Northrop has built these parts for the 747 for many years, and earlier this month completed delivery to Boeing of parts for the 400th 747.

Each 747 fuselage built by Northrop's Aircraft Division in Hawthorne, California, consists of 27 different panels, the largest weighing more than two tons. Northrop also builds nine cargo and passenger doors for each 747.

Boeing said recently that total orders for the 747 to date amount to over 480 aircraft, with deliveries totalling over 370. Boeing expects to build up to 1,000 747s by the end of the 1980s.

Production, at seven Jumbos a month, is sold out through to early 1983, and orders are still flowing in at a record rate.

France-Soviet contract

Sokoto-Rima River Basin Authority.

IMPRESIT has already completed construction of a similar dam at the Sokoto River where it also won contracts estimated at more than \$300m for irrigation and agricultural development.

France, Polish and British interests are vying for access to Brazil's oil processing activities. No decision has yet been made.

Meanwhile, universities and technology centres are researching everything from coaguants to wild quinine as a fuel source.

Although the authorities deny it, the likelihood of some form of petrol and fuel oil rationing appears more probable each day unless manufacturers and the driving public

Impresit wins dam order

BY PAUL BETTS IN ROME

IMPRESIT, the civil engineering subsidiary of the Turin-based Fiat group, has won a \$170m contract for the construction of a dam on the river Rima in north western Nigeria.

This will be the second dam to be constructed in Nigeria by Impresit for the Nigerian

Oil demand raises Brazil deficit

BY DIANA SMITH IN RIO DE JANEIRO

BRAZIL'S TRADE deficit for the first five months of this year increased to \$591m after a May deficit of \$148m. The estimated deficit for 1979 is now between \$1.5bn and \$2bn.

The culprit is the 950,000 barrels a day of oil Brazil purchases abroad. OPEC price increases have thrown calculations of balance, dashed hopes of a 1979 trade surplus or even a balance to offset the \$6.5bn current account deficit, and led to gloom in government circles which have abandoned the artificial optimism and masking of problems of past administrations.

Even if there is not another OPEC increase before December and the authorities are not banking on this, oil imports will cost between \$6.5bn and \$7bn this year on an estimated total of \$13.5bn to \$16bn imports. This compares with oil outlays

Unsafe

While the ride in "comfortable to cars" he said they should only be bought equipped with special shock absorbers for export as the American ones provide a ride that is "unsafe at any speed."

Another West German who tested several of the new U.S. cars summed up his impressions by noting that they were basically "consumer goods like a washing machine."

One exception, he said, was the large six-cylinder engine in certain cars, which he described as "quiet, smooth and indestructible."



Brazilian children eat a meal supplied by the U.S. Food for Peace Movement.

number of children left to fend for themselves. Officials admit that Brazil has 15m abandoned children, but unofficial sources put the figure at 17m. This contributes in turn to a soaring rate of juvenile crime.

The inability of the rural areas to feed their inhabitants has resulted in the massive migration to Brazil's cities in the last 20 years, constantly increasing the strain on inadequate urban infrastructure.

1979/1980

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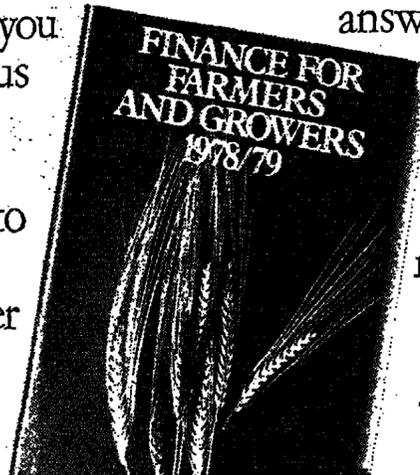
Indeed, we can bring our expertise to bear on everything from insurance cover to E.E.C. policy and

how it will affect you.

All these points are expanded on, in a free booklet that your local Barclays Bank Manager will be happy to give you. He'll also be happy to discuss anything else you wish to raise.

As he's been through a course in farm finance you'll get straight answers (rather than a load of old bull).

More to the point, if you need a loan and you have a good case, he'll put money where his mouth is.



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UK NEWS

Mortgage rate 'must rise'

BY EAMONN FINGLETON

BUILDING SOCIETIES need to raise their main mortgage interest rate by at least one point to add to the Budget increase in minimum lending rates...

Mr. Roy Cox, Alliance's chief general manager, said that societies should increase their basic savers' rate from 8 to 9 per cent...

Mr. Cox said the societies' net inflow of savings fell to only £100m in June, well short of what they needed to keep up the supply of mortgages...

Most people would rather pay a higher rate and get a mortgage than not pay and not get a mortgage...

Mr. Cox was speaking at the launch of a low-tax investment scheme offered jointly by Alliance and the Family Assurance Society...

The new scheme will require a three-month period of £1,000 deposited with Alliance and this will be progressively used to pay premiums on a 10-year life insurance plan...

Family Assurance's advantage is that as a friendly society it can reclaim tax deducted by Alliance from the interest rate...

Hoover kills lorry fleet to cut costs

By Robb Rivers

HOOVER, the domestic appliance manufacturer, is to disperse with its transport fleet and contract out its distribution arrangements to a Unilever subsidiary...

CONTRACTS

Gee, Walker starts sports hall

Two contracts worth more than £15m have been awarded to GEE, WALKER AND SLATER. Work has started on the sports hall and learning pool for Charnwood Borough Council at Loughborough...

TELECOMMUNICATIONS has received £1.5m worth of orders from the Post Office for microwave radio equipment to expand its telecommunications network...

MIDLAND DESIGNING AND MANUFACTURING COMPANY, a Thomas Jordan subsidiary, has won a £1.5m contract to supply Russia with 50-tonne tube splicing machines...

RACAL SONAL has won a contract worth almost £500,000 for recording tape on BBC national, local and overseas radio services...

Heathrow congestion 'severe from 1981'

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

HEATHROW AIRPORT will reach its peak capacity of 30m passengers a year in 1980, and severe congestion can be expected soon after...

This warning was given yesterday by Mr. Norman Payne, chairman of the British Airport Authority...

Mr. Payne said the airports authority's assumptions were based on continued traffic growth in spite of fuel shortages and price increases...

But even with such transfers, congestion would still be severe from 1981 until the fourth passenger terminal became available in 1984...

W. Greenwell supports change in monetary control system

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

FURTHER support for a change in the present system of monetary control comes today from stockbroker W. Greenwell...

The firm's leading City authority on the gilt-edged market comments on an article in the recent Bank of England quarterly bulletin on monetary base control...

Mr. Greenwell proposes that the present control system of a reserve asset ratio supported by the central bank's discount rate...

The brokers note that under the proposed system call money which banks placed with discount houses would no longer qualify as a reserve asset...

Radio 3 to carry more speech programmes

By Arthur Sandles

BBC Radio Three is to carry more speech programmes, such as plays, documentaries and features...

Mr. McIntyre clearly intends to take things more gently than he did when he revamped the Today Show...

There is to be a £1,000 short story competition and new speech programmes, including coverage of off-beat sporting events...

16,000 fewer emigrate

THE ESTIMATED number of emigrants from the UK in 1978 fell for the fourth successive year to a record low figure of 162,000...

Orders for five large industrial cooling towers and associated pump sets valued at £54,000 have been received by HEENAN COOLERS...

Orders for five large industrial cooling towers and associated pump sets valued at £54,000 have been received by HEENAN COOLERS...

FOUNDRY EQUIPMENT INTERNATIONAL, a part of the Aurora Group, has received a contract worth £270,000 from...

LABOUR

Chemical workers to ballot on strikes

By Nick Garnett, Labour Staff

THE HOLDING of strike ballots in various parts of the chemical industry is being authorised by the General and Municipal Workers' Union...

Wage talks have reverted to local level among the 280 chemical companies normally covered by both national and domestic negotiations...

Major companies that until now have determined wages and conditions in two-tier national and local bargaining include Albright and Wilson, Laporte and Fisons...

Employers in national negotiations with the Transport and General Workers' Union and the GMWU refused last month to make any substantial improvement in an offer...

Work to rule by 600 at GEC plant

A WORK to rule campaign was launched by the 600-strong workforce at the GEC Birlec plant in Aldridge, Staffs...

The company had announced at the weekend that it was making 50 men, all members of TASS, the white collar section of the engineering workers union, redundant...

NEWS ANALYSIS—POST OFFICE EFFICIENCY

Tough talking on productivity ahead

BY NICK GARNETT, LABOUR STAFF

THE IMMEDIATE reaction of the leadership of the Union of Post Office Workers to the Government's announcement that anything conceded by the union on these points would have to be bought by extra money...

Mr. Tom Jackson, the union's general secretary, yesterday emphasised again that one of the productivity elements the corporation believes is fundamental—the greater use of temporary and casual labour—had been buried by his members in a national ballot...

Mr. Hood, of Security Despatch, demurs. "We would charge more than the Post Office for delivering mail. But it would all be next day."

Mr. Hood admits that Security could not alone take over postal services. "We would get together with other companies, and the big trunk carriers, and work out a consortium approach."

During the last postal go-slow we collected huge batches of parcels from our clients. Every statement the Post Office makes about their problems gives us business."

More charitably, Miss Linda Moorhouse, account executive of Security Despatch, says "We are thinking of getting in touch with the Post Office to offer to help them out of their present difficulties."

Mercury's 30 motor-cycles and 25 vans would no doubt aid the Post Office but it gave a non-committal response to the offer last night.

At least some Post Office officials understand the UPW's reluctance to concede major changes in this area. Mr. Jackson said yesterday that with hindsight the membership had been right to defeat the executive-recommended productivity deal...

Court backs union's right to boycott low-pay ship

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

SEAMEN YESTERDAY won an important legal battle in their campaign to establish an international scale of wages on merchant ships...

The Appeal Court in London ruled that the International Transport Workers' Federation had the right to boycott a British-flag ship, manned by a Chinese crew...

Walk-out at Cowley causes 6,000 lay-offs

FINANCIAL TIMES REPORTER

PRODUCTION AT the Cowley car factories was disrupted yesterday when 158-fork lift drivers walked out from the Pressed Steel Fisher car body plant in a pay protest...

The TGWU is trying to get support for its campaign for a four-grade structure instead of the five-grade system which the unions have accepted in their talks with management on pay reforms...

European decision near on closed shop case

BY GARETH GRIFFITHS, LABOUR STAFF

A DECISION on a closed shop test case at British Rail, being looked at by the European Commission of Human Rights in Strasbourg, is expected by the end of the month...

The three men have based their case against the closed shop on articles 9 and 11 of the European Convention on Human Rights. They claim the UK Government has failed to enable them to exercise freedom of thought, conscience, expression or association with others...

Labour Party strikers reject 21% pay offer

STAFF ON strike at Labour Party headquarters yesterday overwhelmingly rejected the offer made to them on Monday of 21 per cent backdated to May 1, with an additional 7 per cent, similarly back-dated, after agreement is reached on manning levels...

Some Post Office officials believe that the UPW leadership was here responding to the difficulties it had run into with its own membership. Certainly there is considerable resistance to the use of casual and temporary labour because, it is feared, this might eat into the amount of overtime available to postal workers...

Earlier this year the union's executive agreed to recommend a pay and productivity package, which included the use of temporary staff and the possibility of work measurement in return for 13 per cent in a full year. Mr. Jackson said privately that it would be difficult to have the deal accepted by national ballot. The membership in fact rejected the deal...

Mr. Jackson subsequently told the union's annual conference that the productivity scheme was "window dressing" to get it past the Government; to get a clause securing the need for local agreement between union and management on temporary staff effectively put a veto in the hands of the union.

Mr. Jackson said yesterday that with hindsight the membership had been right to defeat the executive-recommended productivity deal. There is considerable suspicion, possibly justified, that there is always a risk that the use of casual labour becomes permanent and that it masks any need to improve basic pay and conditions...

The national rate for postmen is £80.57 with £8.50 of this unconsolidated for overtime. The basic rate for sorters (postmen, higher grade) is £86.16 with £8.65 unconsolidated. There is an extra £10.96 a week for postmen and sorters in central London. Most postmen's contracts are for a six day week.

The Post Office says average earnings are £91. This can rise to well over £100 for postmen in some offices working a lot of overtime.

Hopes run high on private mail

BY JOHN LLOYD

SIR KEITH JOSEPH'S announcement on Monday that private enterprise might be allowed to play a part in mail delivery if the Post Office could not achieve productivity gains has already stimulated entrepreneurial spasms in the breasts of at least some of those who might hope to gain from such a move...

Overall, Scottish house prices are estimated to have risen by between 20 and 35 per cent since the beginning of the year. Several estate agents in rural areas report a marked change in attitude to the prospect of commuting.

One of the institution's members said that a bid for a house 20 miles from a town had been withdrawn after petrol prices rose. Another, in Perthshire, has three clients who have bought new homes without being able to sell their old and are now trying to dispose of either to escape from expensive bridging loans.

Rural houses harder to sell in Scotland

By Ray Perman

RISEING petrol prices are making it more difficult to sell rural or suburban houses, according to the Scottish branch of the Royal Institution of Chartered Surveyors.

VENN BROS. (CORNWALL) has been awarded a £127,250 contract by the Department of the Environment for work on an advance factory of 450 sq metres at Trevelard, St. Just, Cornwall. The factory will be of the terrace-unit type and divisible into two units of 225 sq metres each. The Department has placed a £104,000 contract with BARWICK BROS., Carlisle, for an advance factory of 450 sq metres at Bellingham, Northumberland.

Orders for five large industrial cooling towers and associated pump sets valued at £54,000 have been received by HEENAN COOLERS, part of the Redman Heenan International Group, from Harland and Wolff of Belfast. It is installing the equipment in a new diesel engine test plant to cater for MAN engines built under licence in Northern Ireland.

A mine automation contract worth £480,000 has been placed by the National Coal Board with HAWKER SIDDELEY DYNAMICS ENGINEERING for installation of a Dyzalink mine-operating system at Law Mill Colliery. The system allows one or two men in the control room on the surface to control and monitor the entire complex of underground conveyors and bunkers and certain surface machinery.

DOWSON AND MASON has received a contract worth about £300,000 for a stress-relieving furnace, with two small furnaces, as part of a machine tool contract worth U.S.\$15.5m (£7.1m) between ABTMT and SN Metals of Algiers.

FOUNDRY EQUIPMENT INTERNATIONAL, a part of the Aurora Group, has received a contract worth £270,000 from...

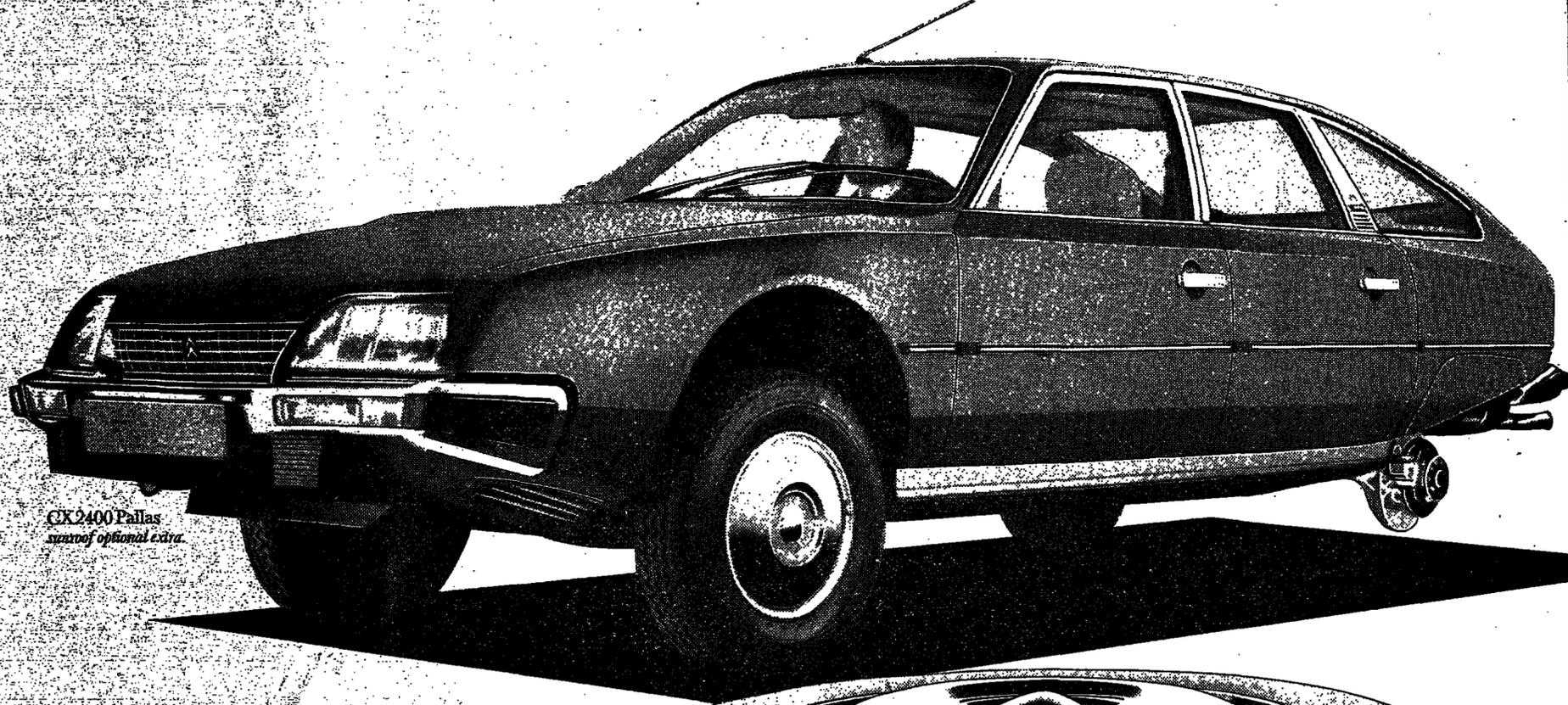




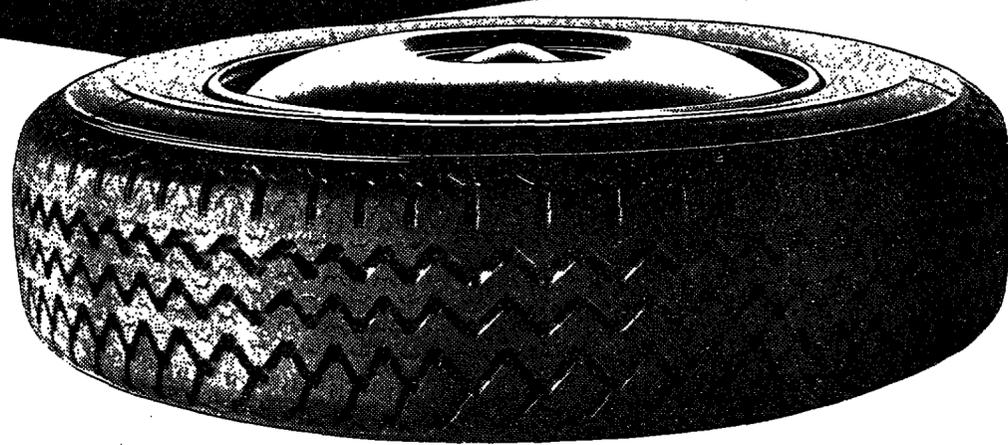


دريسيه

# IF A CITROËN CX CAN DO THIS ON THREE WHEELS, IMAGINE HOW SAFE IT IS ON FOUR.



CX2400 Pallas sunroof optional extra.



Remove the nearside rear wheel of the Citroën CX with the engine running and the suspension at its highest setting, and the suspension automatically compensates to keep the car level.

More impressive, the car could now be driven on three wheels.

The practical benefit of all this becomes apparent when considered in terms of everyday driving conditions on the road.

If you had a blow out on any wheel at high speed the self-levelling suspension would allow the CX to continue on course as if nothing had happened.

Remarkable though this may be, the outstanding engineering achievement of hydro-pneumatic suspension is the way it combines an uncommonly smooth and comfortable ride with tenacious road-holding.

An additional contribution to road-holding comes from Citroën's VariPower steering. Extremely light at low speeds, VariPower scores over other power steering systems in that it grows progressively firmer with increasing speed on the open road. It also prevents wheels being deflected by loose stones or uneven surfaces.

The combination of front wheel drive with VariPower steering adds yet further to the car's handling characteristics.

The CX offers all this on one of the most luxuriously appointed range of saloon cars on the road today. It is a spacious car with superbly designed,

cloth upholstered seats that are more comfortable than many a favourite armchair.

When you add it all up, the CX is truly remarkable.

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How else would you describe a car that can be driven on three wheels?

A selection of the 15 models in the CX range			
Model	BHP	Top Speed	Price
CX2000 Super	102	109mph	£5795.62
CX2400 Super (5 speed)	115	112mph	£6479.58
CX2500 Diesel Super (5 speed)	75	97mph	£6732.48
CX2400 Pallas (5 speed)	115	112mph	£7131.15
CX2400 Pallas (C-matic)	115	111mph	£7335.47
CX2400 Pallas Injection (C-matic)	128	112mph	£7798.92
CX2400 GTi Injection (5 speed)	128	118mph	£7776.50
CX2400 Safari Estate	115	108mph	£6656.49
CX2500 Diesel Safari Estate	75	90mph	£7038.95
CX2400 Familiale	112	108mph	£6778.58
CX Prestige Injection (C-matic)	128	112mph	£10,416.41

Prices include car tax, VAT, and inertia reel seat belts, but exclude delivery charges £83.95 (inc. VAT) and number plates. Prices correct at time of going to press. All Citroën cars have a 12 months unlimited mileage guarantee. Check Yellow Pages for nearest dealer and ask about our Preferential Finance scheme. Please enquire about our Personal Export, H.M. Forces and Diplomatic schemes to: Citroën Cars Ltd., Mill Street, Slough SL2 5DE. Tel: Slough 23808.



# FINANCIAL TIMES SURVEY

Wednesday July 4 1979

## Spanish Exports

A remarkable growth in exports has enabled Spain to close its trade gap significantly. But the government's indecisive economic policy since the general election in March and above-target inflation levels have sapped business confidence. A series of price increases resulting from international energy movements is adding to the uncertainties.

### Growth that has no parallel

By Robert Graham  
Madrid Correspondent

THE CONTINUED strong performance of Spanish exports has been a lifeline for the country's depressed economy. For the second successive year Spanish exports have shown dynamic growth—a growth that has no parallel in the other major industrialised countries. Where the OECD average growth in exports was 3 per cent last year, Spanish exports increased 29 per cent in peseta terms and 27 per cent in dollar terms. This was despite mid-year predictions that there would be a levelling off by the year end. Indeed such a levelling off has only begun to be evident now. Even so the 1979 performance will certainly be above the European average. On average, Spanish exports have enjoyed an annual growth

in peseta terms of 31 per cent in the past two years against an annual average reduction of 22 per cent. At the end of 1978 total exports had reached Ptas. 1,001bn. Considerable changes in the peseta's parity with the dollar distort conversions but when measured in dollars, Spanish exports rose from \$3.7bn in 1976 to \$13.1bn by the end of 1978. In the first four months of the current year, export earnings were \$5.6bn.

This has had a tremendous impact on the balance of trade. In a remarkably short space of time, Spain has managed to close its trade gap significantly. Two years ago exports covered imports by only 49 per cent, now the cover is up to 70 per cent.

Spanish officials still seem bemused by this performance. Spain after all is not traditionally a big exporter and the Francoist economic structures were protective and inward looking. The benefits of trading in the domestic market were substantial, in most cases sufficient to deter manufacturers from broadening their horizons.

The rapidly expanding Spanish market of the 1960s and early 1970s provided all the opportunities that most businessmen wanted. So it is not surprising that a comparatively small proportion of GNP (10 per cent) derived from exports. The present situation stems from a peculiar combination of circumstances. Arguably, the single most important factor has been the domestic recession. The recession began in 1975 but it was not fully felt until 1977,

biting deeper in 1978, from experiencing growth rates of 7 per cent in some sectors, manufacturers found themselves facing a stagnating local market. Idle capacity—up to 30 per cent—could be turned to good effect only by switching to export. In many cases this became even more imperative because in 1974-75 major new investments in plant were made—based on the former high-growth assumptions, and ignoring that Spain too might be affected by the 1973 oil crisis. So some of Spain's biggest companies, such as the paper group Sarrion and the electrical components group, Femsa, were saddled with costly financial burdens and over-capacity.

To the burden of idle capacity was added a tight government money policy. So to ease cash flows it became essential for companies that were already exporting to raise the export percentage in their turnover, while others switched for the first time to exports.

### Edge

Such a switch had the further advantage of prompt payment than domestic sales, where purchasers too suffered—and continue to suffer—from a liquidity shortage. Some municipalities for instance are up to 18 months behind in paying suppliers.

To what extent cash flow problems have obliged companies to sell goods abroad at cost or below cost is not clear, but certainly this has been considered preferable to closing down plant.

Another vital factor in promoting exports was the 22 per cent peseta devaluation in July 1977. This gave Spanish exports an important competitive edge both within the European Community which absorbs 46 per cent of Spanish exports, and in expanding markets like the Middle East and Latin America.

Parallel with this the Government made efforts to raise the amount of credit available to exporters. This was a double-edged policy however. Industrialists complained last year that too much of the 15 per cent increase in private sector credit went to export, so affecting the overall availability of credit.

The need to turn more towards exports combined with a certain new maturity among many managements, who recognised the importance of pinning future growth, at least in part, on foreign sales. In other words, Spanish manufacturers were ready to take advantage of the opportunity when it arose.

They deserve more credit than the Government—which incidentally has made very little effort to publicise Spain's performance. As yet the Government is poorly equipped to assist exporters and promote Spanish goods. EEC members counter, however, by saying that Spain has greater, and unfair, fiscal advantages for its exporters.

Looking back over the past two years, the pattern of exports has been relatively uniform. All sectors have registered high growth although agricultural sales have been at a slower pace. For instance, last year sales of industrial

goods increased 31 per cent in peseta terms against 20 per cent for agricultural products.

Spain has had considerable success in all sorts of capital equipment, machinery, electrical goods—items requiring intermediate but not high technology. Despite difficulties, traditional exports such as textiles, shoes and cement have held up well. The domestic recession has also prompted an inevitable rise in sales of steel and steel products, giving rise to fears in some instances in Europe and the U.S. of dumping.

At one level the continued growth of Spanish exports must depend upon the state of the domestic economy. Once order books fill up and a recovery takes root, a number of manufacturers will revert to the local market.

But since mid-1978 a recovery has been expected, yet even now its prospect remains elusive. Business confidence in the wake of the March general elections has evaporated because of the government's indecisive economic policy and inflation levels which are above the mid-year target of 6.5 per cent.

### Serious

The uncertainties are now being added to by a whole series of price increases resulting from international energy price rises. Put together, this creates a picture in which few can foresee the beginnings of a recovery before the last quarter, if not early 1980. Assuming therefore that for the rest of 1979 Spanish manufacturers will suffer from the

same domestic constraints, they will have to compete now in much tougher conditions. The industrialised countries—two-thirds of the market for Spanish goods—can only record lower growth rates, at least temporarily, in the wake of the latest OPEC price rises.

At the same time, and potentially more serious for Spanish exporters, Spain's goods have lost their competitive edge. Not only has the peseta recouped against the dollar, the main traded currency, it has appreciated above the July 1977 parity. This has been due to a combination of large capital inflows owing to easy credit abroad and tight money at home, exceptional tourist receipts, low levels of imports and healthy export earnings that have boosted reserves to almost \$13bn.

The authorities have preferred to let the peseta appreciate, resisting demands by exporters for a measure of devaluation. While this policy undoubtedly has helped restrain inflation it is proving increasingly damaging to exporters. "We cannot export much longer at 66 pesetas to the dollar" is a universal cry among exporters. When you consider that the peseta was 80 to the dollar 18 months ago this is not surprising.

The latest survey of business opinion conducted by the Ministry of Commerce in March and April shows a decline in foreign orders attributed in large part to the exchange rate. Other reasons cited for the decline are an overall drop in competitiveness and lower international demand. Yet with

the next two months witnessing the biggest seasonal inflow of foreign currency, resulting from the peak tourist season, any immediate change in the peseta is unlikely.

Indeed, officials at present do not anticipate the peseta moving much beyond 68 to the dollar. Therefore exporters will have to live, for this year, with this handicap.

A further handicap is the continued sharp increase of production and financial costs. Wages rose by more than 20 per cent in 1978 and this year the 12 per cent average laid down by the government will have to be adjusted to take account of higher inflation. The average wage increase could exceed 14 per cent.

Production costs will also be hit by sharp rises in energy prices, including a reduction in the existing subsidy on fuel oil. Meanwhile, interest rates remain high and the poorly developed financial market makes medium-term finance difficult and costly.

### Unrest

This must affect not merely short-term competitiveness but also the longer term, especially if managements fail to adopt more modern methods. Another factor bound to influence the export picture is the question of labour relations. This year serious industrial unrest in every sector has accompanied the negotiation of new wage and work condition agreements.

Relations between the trades unions and employers are prob-

lematical, and the two sides are far apart on a whole range of labour laws that the government is pledged to introduce. If the trades unions feel bulldozed by a government that they see supporting management, then industrial relations will deteriorate, leading to a consequent loss of productivity.

These problems tend to affect purely Spanish companies more than international ones, where management is more experienced and the financial structure not dependent upon one (weak) source. So it is these companies that are now in the forefront of the exporting league and most confident about Spain as an operations base.

Ford, whose plant has been operational only since 1976, is Spain's leading exporter. The recent decision by General Motors to establish a similar export-orientated plant in Spain means that the country is destined to become one of Europe's leading auto-exporters by the late 1980s.

Unfortunately this development appears to have been approved by the Government without any clear idea of what type of sectors Spanish exports in the future should be concentrated in. For instance, does Spain want to house piecemeal expanding European/multi-national industry as part of an enlarged Common Market of which it will be a member? Or should it concentrate on specialised sectors?

For the moment the Government's mind is being made up by outside forces like General Motors.

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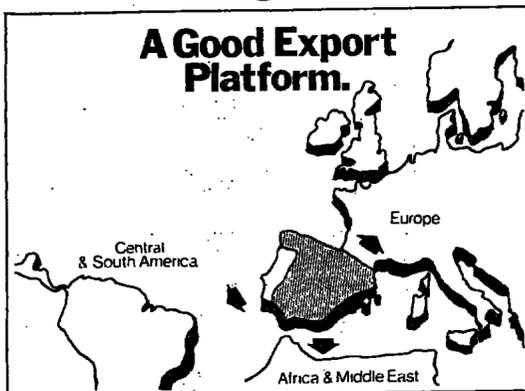
2

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Some of the most important companies in the world to have profited by investing in Spain IN THE LAST 12 MONTHS are the world's largest corporations; among them: IBM, Mitsui & Co., Robert Bosch, Matsushita Reiki Co. Ltd., Monsanto, Renault, Grundig and Nestlé.

During 1978, the net inflow of foreign direct investment reached the \$740 m. mark.

Fiat and General Motors are considering a total investment of about \$2 bn. over the next few years.

## SPANISH EXPORTS IN 1978

	(Billion Dollars)		Increase over 1977
	Billion \$	%	
i Agricultural Products, Food-stuffs, Minerals and Fuel	3.4	26%	16%
ii Chemical Products—Plastics, Metals and Metal Manufactures	3.3	25%	43%
iii Textiles, Footwear	1.4	11%	28%
iv Machinery, Transport Equipment, Other Manufactures	3.3	25%	27%
v Others	1.6	13%	27%
<b>TOTAL</b>	<b>13.085.5</b>	<b>100%</b>	<b>27.6%</b>

FOR INFORMATION CONTACT: D.G.T.E. FOREIGN INVESTMENT PROMOTION OFFICE, Almagro 34 Madrid 4, Spain. Or any Spanish Commercial Office.







SPANISH EXPORTS V

إبراهيم



# Shoe industry lacks guiding strategy

A RATHER unusual start took place in Madrid at the end of last month when employers representing some 2,300 shoe companies got together in a five-star hotel in a bid to pressure the Government into swift action to alleviate the industry's growing problems. The background to what the shoe employers' leaders were in an "assembly" rather than a "conference" was grim enough. In the town of Elche in Alicante, six companies had closed down in the preceding ten days alone and several more were threatening to put up the shutters. This news came as something of a surprise to most people, after an unrelieved boom in shoe exports during the past five years.

Shoe exports represent something under 5 per cent of all Spanish sales abroad and have more than doubled in volume and tripled in value during the past ten years. Last year Spain exported 45,000 pairs of shoes, a 1.6 per cent rise in volume on 1977, but they brought in Pta 46,300, a 21.4 per cent gain in value.

The Spanish shoe sector grew up as a cottage industry under the impetus of post-Civil War autarky. It only switched its attention to exports once the domestic market showed signs of saturation and foreign sales became synonymous with survival. Low labour costs and commercial aggression have been the keys to the industry's success up to now. The share of exports in the sector's turnover shot up from 26 per cent in 1968 to nearly 50 per cent last year.

It remains fractured into nearly 2,500 companies, employ-

ing over 70,000 people, and located almost entirely in the three provinces of the Valencia region (Castellon, Valencia and Alicante) and the Balearic Islands, especially Majorca and Minorca. There are 45 companies with exports over Pta 200m and nine that top the Pta 500m mark—although paradoxically three of the four biggest exporters are located in Empuriu, Labaceta and Saragosa.

## Viable

It is not, however, the structure of the industry, with only 9 per cent of companies employing more than 50 workers, that is at the root of current problems. Nearly all employers stress that the small is frequently the most viable unit, and point to the experience of Segarra in Castellon, which with its 3,900-plus employees led the industry until 1976, when it seriously over-extended itself and was taken over by the State. One of the industry's most strident demands, repeated by employers last month, is for the setting up of a free port at Alicante for hide imports. But most of the problem is not at this end, where tariffs on hide imports seldom exceed 2 per cent. The problem is that the cost of imported hides has risen brutally. Measuring the first quarter of 1979 against last year, the cost of importing untreated hides has risen 57.8 per cent, semi-tanned hides 38.8 per cent and tanned hides no less than 88.7 per cent.

But the appreciation of the peseta is the problem which nearly 2,500 companies, employ-

They believe that this alone has increased the cost of a pair of Spanish shoes abroad by around 30 per cent and are calling for an urgent Government credit of Pta 80bn to offset this.

## Delay

In the U.S. the cost of a pair of Spanish shoes has risen by 38-40 per cent. On the one hand the peseta has appreciated faster than the dollar, and secondly, since the beginning of the year, the U.S. has added a 2 per cent duty charge on shoes from Spain. This looked as though it would be considerably higher late last year, and may increase in the future, underlining Spain's vulnerability through over-concentration on the U.S. market.

Last year the U.S. took 49.4 per cent of Spanish shoe exports, against 53.4 per cent in 1978 and 54.5 per cent in 1975. Figures for the first quarter of this year, however, show sales in the U.S. at around a third of all shoe exports, with no compensation elsewhere. Last year 37.7 per cent of exports went to EEC countries. But Spain's main clients there, France and West Germany, which last year

took 22.2 per cent of all exports, have both bought significantly less. Customs figures show that shoe exports for the first quarter this year are down 11 per cent from the corresponding quarter last year, and 15 per cent for the whole of 1978.

what the industry needs is a coherent medium to long-term strategy. There is little disagreement that the future lies in a major switch to quality shoes. Developing countries like Brazil and South Korea are making increasing inroads into Spain's traditional markets now that the advantage of low labour costs in Spain has vanished.

By conservative estimates, however, technology in the sector is around 25 years behind that of Italy, which would be Spain's main competitor. The investment required to close this gap is of the order of Pta 10-12bn over the next decade, an unattainable target without major Government backing.

Backing would also be needed in research and the promotion of Spanish shoes abroad. The industry has several mutually antagonistic employers and commercial associations, and this has not improved overseas promotion. In short, the shoe industry is at a crossroads, with very little time to decide which direction to take.

David Gardner

## IN YOUR CONTACTS WITH SPAIN BANCO DE VIZCAYA

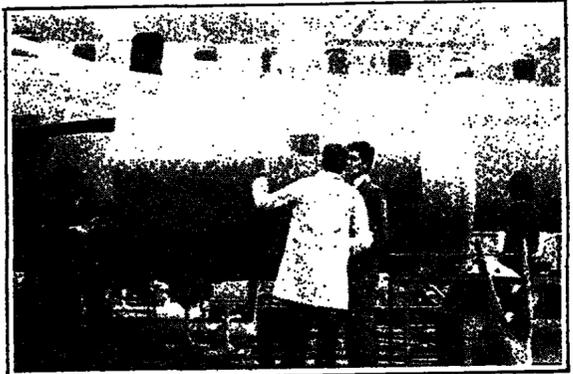
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## Steel

CONTINUED FROM PREVIOUS PAGE

through the back door is not known, though most officials hazard a guess that the amount was considerable.

However, 1978 did demonstrate the effectiveness of the EEC when it came to anti-dumping control. Spain's steel officials received a sharp jolt when, last February, Belgian steel manufacturers triggered a formal investigation by the European Commission into complaints that Spanish steel had been dumped on EEC markets.

As a result, the Commission introduced a precautionary punishment. Sales to the Community of certain types of Spanish steel beams were subjected to a special anti-dumping levy amounting to the difference between the Spanish price and the EEC base price. Spain supplies more than half of all imports into the Nine of "I" beams, "Y" beams and "H" beams.

## Complaints

The levy was suspended under the terms of the March agreement but it served as a warning that stricter measures would be introduced in the future if there were any further complaints. The difficulties which Spanish steelmakers have faced during the past year with the EEC have been mirrored in Spain's trade relations with the U.S., the single biggest customer for

Spanish steel. The anti-dumping measures of the EEC were preceded by those of the U.S. towards the end of 1977. Similarly, the U.S. in June of this year decided on an extension of import quotas.

These restrictions forced exporters to look for new outlets. This diversification has been further stimulated by the crisis in Iran. This country has been a traditional consumer of Spanish steel products: in 1978 it accounted for 11.8 per cent of total Spanish exports. This figure in the first quarter of this year has been reduced to zero.

Spanish steel manufacturers are turning towards Africa, Latin America, the East and Comecom. The changing pattern is reflected in customs figures for Spanish steel exports during the first quarter of 1979. Where the EEC and the U.S. imported 38.3 per cent and 11.4 per cent respectively of total Spanish steel exports in 1977, these figures have now dropped to 23.7 per cent and 8 per cent.

However, diversification has not brought about that increase in exports which the Spanish steel industry so desperately needs. Provisional figures for the first four months of 1979 show that total steel exports have declined by 10.6 per cent compared to the corresponding period last year.

Jimmy Burns

## EXPONOR



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Ibstock Johnson buys Glen-Gery for £9.6m

Ibstock Johnson, the specialist brick producer, has bought its second U.S. acquisition within a year and plans to ask shareholders to fund the £9.6m (£9.6m) purchase price.

Costain pays £2m for U.S. group

Costain, the international construction group which recently announced acquisition plans, has now bought Trans Construction Corporation of Oklahoma, U.S.

MARIN THE NEWSAGENT

Marin The Newsagent has agreed to purchase the freehold premises at Millfield, near Brent

Standard Telephones buys Daly

Standard Telephones and Cables (STC), which recently offered for sale 15m of its ordinary shares, has bought Daly Design and its subsidiary Daly (Processors), the Weymouth-based aluminium electrolytic capacitor and formed aluminium foil manufacturers.

Silhouette suspended after approach

Takeover talks are taking place at Silhouette (London) the foundation garments and ready wear group.

APPOINTMENTS

New director for Building Research

Dr. Ivan Thomson has been appointed director of the BUILDING RESEARCH ESTABLISHMENT, Department of the Environment. He will succeed Mr. James Dick who will be retiring in July.

Rising income for 'Freddies'

BY KENNETH MARSTON, MINING EDITOR
AFTER A rather disappointing performance at the half way stage, earnings of Free State Development and Investment (Freddies) for the full year to June 30—before profit on realisation of investments—came out at a more encouraging R763,000 (£411,900) compared with R554,000 in 1977.

Mount Lyell's higher output

THE Consolidated Gold Fields group's marginal copper operation in Tasmania, Mount Lyell, reports increased production for the year to June 27. Thanks to a better—but still modest—ore grade of 1.335 per cent copper, the underground operation has turned out 77,039 tonnes of copper concentrates compared with 70,668 tonnes in the same period of 1977-78.

comment

The sharp fall in share realisation profits during the past financial year stems from the pruning operation that was carried out on the investment portfolio in 1977-78.

ORKNEY 'NO' TO URANIUM MINING

A five-strong delegation from Orkney is going to Westminster next week to obtain the support of MPs in the island's campaign against uranium mining, reports our correspondent from Kirkwall.

MINING BRIEFS

GOLD AND BASE METALS OF NIGERIA—Concentrate output in May was 26 tonnes of tin, bringing production in the first five months of the year to 127 tonnes of tin and 1 tonne of columbite, an amount some 20% up on the comparable period of 1978.

NSW TIN HOPE

Several zones of tin mineralisation stretching over more than 800 metres have been located by the Endeavour Resources joint venture at the Grampians, near Exmouth in New South Wales.

ASSOCIATE DEALS

On June 29, J. Henry Schroder Wagg and Co. purchased 5,000 ordinary shares of 240p on behalf of associates and on July 3 purchased a further 5,000 ordinary at 240p on behalf of associates.

ASSOC. TOOLING

Associated Tooling Industries' subsidiary Assort Precision Tool Co. (Ratnam) has sold its leasehold property, stocks and the majority of its other fixed assets for a total of £250,000 cash, which showed a substantial surplus over book value.

comment

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Sotheby's Sotheby Parke Bernet Group Limited Summary of unaudited consolidated results for the six months ended 28th February, 1979. Includes financial tables for Net Auction Sales, Earnings before taxation, and Dividend.

Kennecott International N.V. \$100,000,000 9 1/2% Guaranteed Notes Due 1986. Includes list of international banks and financial institutions.







CURRENCIES, MONEY and GOLD

Pound rises past \$2.20

Sterling continued to improve against major currencies yesterday and was notable for its sharp rise against the dollar...



June 1978. The pound's overall rise was reflected in its trade weighted index as calculated by the Bank of England...

FRANKFURT - The dollar was fixed higher at yesterday's fixing at DM1.8455 compared with Monday's level of DM1.8395...

Table with columns for Currency, Rate, and % Change. Includes entries for Sterling, Deutsche Mark, etc.

Table titled 'EURO-CURRENCY INTEREST RATES' showing rates for various currencies and terms.

INTERNATIONAL MONEY MARKET

Bank of France to buy paper - The Bank of France has offered to buy first category paper by tender with a value date for its purchases of July 5...

UK MONEY MARKET

Large assistance - Bank of England Minimum Lending Rate 14 per cent (since June 12 1979)...

Table titled 'LONDON MONEY RATES' showing overnight, short-term, and long-term rates.

THE POUND SPOT AND FORWARD

Table showing pound spot and forward rates for various currencies.

THE DOLLAR SPOT AND FORWARD

Table showing dollar spot and forward rates for various currencies.

CURRENCY RATES

Table showing currency rates for various countries like Canada, Belgium, etc.

OTHER MARKETS

Table showing other market rates for various currencies like Argentine, Australian, etc.

EXCHANGE CROSS RATES

Table showing exchange cross rates between various currencies.

EURO-CURRENCY INTEREST RATES

Table showing euro-currency interest rates for various currencies.

INTERNATIONAL MONEY MARKET

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Large assistance - Bank of England Minimum Lending Rate 14 per cent (since June 12 1979)...

Table titled 'LONDON MONEY RATES' showing overnight, short-term, and long-term rates.

Allied Irish Banks Limited

As normal postal services in the Republic of Ireland may not be resumed for some time, the undermentioned Notice to holders of the 10% Convertible Unsecured Subordinated Loan Stock, 1985...

THIS NOTICE IS IMPORTANT. If you do not understand the contents you should consult your Stockbroker, Bank Manager, Solicitor, Accountant or other professional adviser...

To the extent that you do not exercise your conversion rights by 31st July, 1979 you will have further opportunities to do so in any of the years 1980 to 1985 inclusive...

Fractions of Ordinary Shares arising on conversion will not be issued to converting Stockholders but will be aggregated and sold and the proceeds distributed to the persons entitled thereto...

COMPANY NOTICES

Notice to the holders of Citicorp Overseas Finance Corporation N.V. U.S. \$100,000,000 6 3/4% Guaranteed Notes Due 1980...

DRAWING

At drawings made in July 1979, in the presence of a Notary Public in Stockholm, Deposit Certificates in respect of Bonds of THE GERMAN REICH 4% (FORMERLY 6%) EXTERNAL LOAN OF 1930...

NEW BULOZ KASAP COMPANY LIMITED

Coupon No. 41 from Ordinary No. 26 from the above mentioned Company may be presented for redemption...

CLUBS

EVERY has notified the others because of the absence of the other members...

TRAVEL

CHUG THROUGH THE CHILTERNS on a colourful canal boat, Bridgewater Canal, Birmingham...

WORLD STOCK MARKETS

Companies and Markets

Steadier early Wall St. on technical factors

INVESTMENT DOLLAR PREMIUM... Effective \$2,200 6 1/2 (5 1/2)...

Merck 7 to \$661, while IBM were unchanged at \$721. The company said it could have...

Germany With heavy foreign institutional buying of leading stocks taking place, the market staged a good rally yesterday.

Tokyo Market returned a firming tendency in fairly active dealings, with the Nikkei-Dow Jones...

Paris Stock prices were mixed to lower in moderate trading, with Saudi Arabia's proposed oil...

Johannesburg Diamond leader De Beers extended Monday's strong rise of 17 cents to close 8 cents higher...

Indices

Table with columns for Index Name, Date, High, Low, and Change. Includes NYSE, Dow Jones, and various international indices.

Monday was 0.35 harder at \$34.39 at 1 p.m. after further slipping to \$32.51 at 11.00 a.m.

Canada A widespread decline occurred in heavy dealings yesterday...

Other observers thought the nomination of Franz Josef Strauss, Conservative Prime Minister of Bavaria...

after sales of DM 10.6m on Monday. Mark Foreign Bonds gained up to 50 pfennigs.

currently preventing the Australian sale of uranium to the European Community...

in earlier trading, a British statement from Prime Minister Malcolm Fraser saw the Oil Shale twins move well ahead...

Table with columns for Index Name, Date, High, Low, and Change. Includes NYSE, Dow Jones, and various international indices.

NEW YORK

Table of stock prices for various companies in New York, including IBM, AT&T, and others.

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EUROPEAN OPTIONS EXCHANGE

Table showing European options exchange data, including series, volume, and price.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

AMSTERDAM

Table showing Amsterdam stock market data, including price and change.

OSLO

Table showing Oslo stock market data, including price and change.

# FINANCIAL TIMES SURVEY

Wednesday July 4 1979

July 1979

## Isle of Man

The Millennium may be more a publicity ploy than a serious historical event, but it attracts the holidaymakers to the island needs. While the traditional industries—agriculture, fishing and tourism—are in the doldrums, there is strong growth in both the financial and construction sectors.

### Economy ready to move

By Anthony Moreton, Regional Affairs Correspondent

nationals who renounced their British residences and established themselves on the island. Wealthy immigrants moved to the Isle of Man and companies followed to provide the services for those working abroad who did not want to remit their

leading foreign bank. The only overseas name among the list is the Bank of Credit and Commerce International, which is now on the point of opening after an 18-month gestation period. Another important newcomer

money market in London. Only the Government, in effect, was a lender of risk capital, and its resources were naturally not infinite, thereby holding back essential and necessary developments. There is, in the words of one

One small development has taken place this year with the addition of 39 bedrooms at the Palace Hotel on Douglas's long Edwardian seafront, but there has been little other major spending in this important sector.

Since the island has full employment at the moment—there are just 231 people out of work, which merely represents those permits will have to be issued, especially for the building trades, if new capital projects go ahead. But this runs up against the need to contain population growth to acceptable limits in order that the essential character of the island is maintained.

portant development has been the setting up of a shipping register. The Isle of Man is seeking to attract in shipping companies to take advantage of its tax rates while at the same time complying with British standards of safety and labour regulations. It accepts that there will always be some owners who want to fly under the Liberian or Panamanian flags, but it feels there are others who want to comply with the strict British regulations and still work to lower tax levels. Given the deflated state of world shipping, this is not likely to lead to immediate benefits but is an example of the way in which the Manx authorities are continually looking ahead to ways of developing their financial services.

THE QUEEN and the Duke of Edinburgh arrive in the Isle of Man tomorrow for the climax of the island's Millennium celebrations. All the year there has been a steady stream of "signals" and leading notabilities, such as the President of Malta and the King of Norway, is still to come. Today, to emphasise their Norse heritage, a party of 16 Vikings' land at Peel after rowing in a long boat from Scandinavia—much as the original invaders would have done. Actually, seven of the 16 are Manxmen who flew over to Norway to take part in the symbolic and highly publicised voyage.

It is all great fun which is what the Millennium is. Few people on the island treat it seriously as a historical event, the Isle of Man Parliament probably did come into some sort of existence about 1,000 years ago, but it could have been 1,000 years or 999 years—no one is certain.

#### Worries

The Millennium is really about attracting holidaymakers to the island and it makes good publicity. Next year there will be another ploy, it's all good for business. The island needs more tourists if it is to move forward economically again. At the moment the economy is pretty flat, but this disguises important changes which are taking place in its structure.

The strength of the financial sector and the growth of the island's economy stems from two factors. In the 1940s and 1950s the island was a depressed area with high unemployment (into double figures) and a declining population as the younger men and women moved to the mainland UK to seek work. Then, in 1961, surtax was abolished, leading to a revision of all taxes and the eventual establishment of the island as a low-tax centre. Today there are virtually no capital taxes, income tax has been reduced to 20.5p in the pound and is strongly expected to be cut again next spring to 20p.

Traditional industries, such as agriculture, fishing and tourism, are fairly flat, whereas there is strong growth in both the financial and construction sectors. The island has a 10 per cent

The island's position as a low-tax centre (a move it could take because constitutionally it is a crown dependency and not part of the UK) was enhanced in 1972 when the Sterling Area was ended and the scheduled territories virtually comprised the Isle of Man, Jersey and Guernsey.

salaries to the UK and thus have to pay UK rates of tax. The result has been the establishment on the island of 36 banks (with two more in the pipeline) and a large number of companies. Last year a record 2,168 companies were registered, 379 more than in the previous year. When liquidations from the register were taken into account there was a net increase of 1,733 last year compared with 1,606 the previous year. All the major British banks are now established on the island, and last year's new arrivals were the Northern Ireland Industrial Bank, the Northern Bank (a subsidiary of the Midland) and two smaller ones from the Irish republic, Fitzwilliam Bank and the Irish Commercial Bank.

ICFC has arrived at a strategically important moment. The Government has just repealed the Usury Act, which limited the rate of interest that could be charged on loans to 12 per cent. Because of this limitation institutions were chary about lending risk capital when they could just as easily get this return, with absolute safety, by investing in the

financial manager, money "simply sloshing about" on the island, and the ending of this clause in the Usury Act will unlock this finance for private developments. It is possible that the repeal of this Act will have as great an effect on the economy as the abolition of surtax did nearly two decades ago because so much capital spending is needed on the island. This is particularly so in tourism, where if the Isle of Man is to develop new facilities, such as hotels, yacht marinas and more self-catering facilities (a very big growth area), much capital spending is essential. Douglas, in particular, still needs enormous amounts of money spent to bring its holiday facilities up to date if it is either to lure the holidaymaker who now goes to the Costas or attract the second-holiday

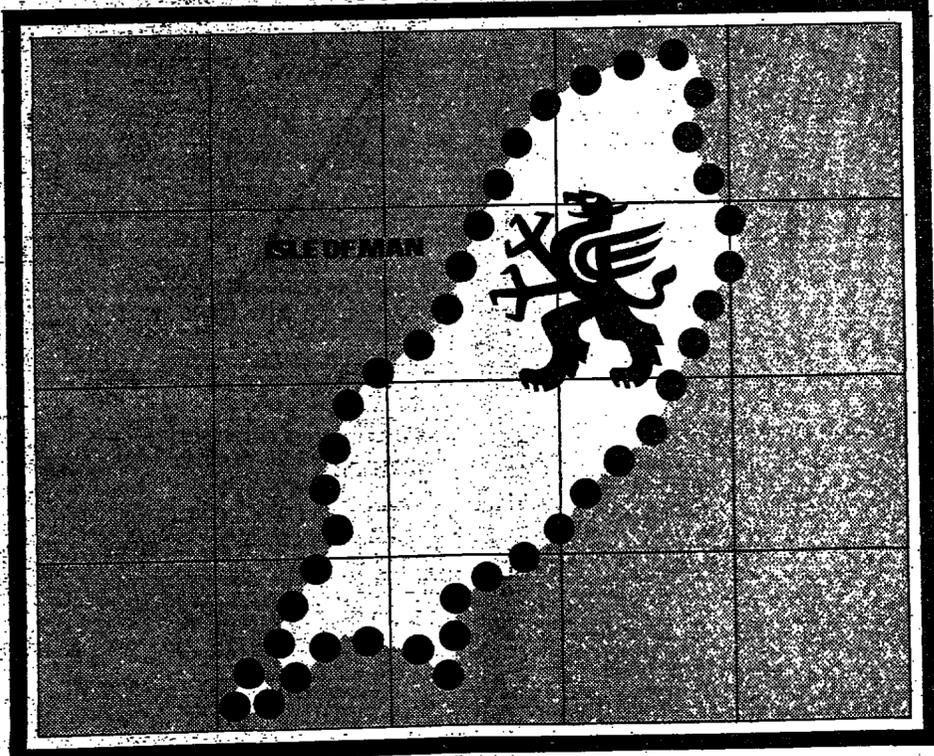
Not everyone in public life welcomes the repeal of the Usury Act unreservedly. The Manx people are a very conservative lot, and it is sometimes felt that the replacement of the Government by private industry as a source of capital is not something to be welcomed wholeheartedly. There are also fears among some officials that the construction industry could become overheated if lending rises sharply. This overheating is a potentially serious problem because it is not easy to recruit new or additional workers from the mainland under the work-permit scheme. Officially, a work permit will not be granted if there is a Manxman who can do the job or if there is likely to be one available. This rule has led to some curious, and sub-standard, management appointments being made.

One other potentially im-

#### Wealthy

Although the economy is pretty stagnant at the moment, the Isle of Man is, in fact, immensely wealthy. Not all that wealth, however, is being translated into material standards for its people. To some extent that is because the people do not take kindly to change and certainly they abhor rapid change.

Change, though, is taking place and if the wealth that is largely bottled up could be unlocked then the massive improvement in standards would mean that the island would have no need to look somewhat enviously over its shoulder at Jersey and Guernsey. The repeal of the Usury Act has opened the way; such change may not come in the next 12 months, but it is undoubtedly on the way.



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  - Midland Bank Limited St. Paul's Square, Ramsey, Isle of Man. Telephone: Ramsey 814000. Manager: S. T. Sille.
  - Midland Bank Trust Corporation (Isle of Man) Limited (Incorporated in the Isle of Man) PO Box 39, 10 Victoria Street, Douglas, Isle of Man. Telephone: Douglas 231 18/9. Telex: 628037. Director & General Manager: D. G. Foster. Manager: G. R. Thompson.
  - Northern Bank (I.O.M.) Limited 10 Victoria Street, Douglas, Isle of Man. Telephone: Douglas 27121. Manager: J. C. Thompson.

## Isle of Man

**NO Capital Gains Tax** (except on certain land transactions)

**NO Corporation Tax**

**NO Wealth Tax**

**NO Capital Transfer Tax**

**NO Settlement Tax**

**NO Surtax**

**NO Stamp Duty**

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Name \_\_\_\_\_  
 Address \_\_\_\_\_



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# ISLE OF MAN III

## Uneven tourist season

ANYONE WHO visits the Isle of Man during the summer months would find it hard to believe that the island is not one of the leading tourist areas in the UK. The motor cycle races attract about 20,000 visitors and Douglas seems to be taken over by them and their motor bikes (13,000, all of them presumably on the roads at the same time).

### Facilities

During this week and a few important race week the summer season visitors on an about 4.5 million to the Manx Government and however it is and £10m to the island as a whole. This is a not insignificant share of the total spending by holidaymakers on the island.

The motor cycle, however, encapsulate very neatly the problem the island has in attracting holidaymakers. Within a short season there are bunched peaks of activity for a long spell, giving the year facilities are under-utilised, the visitors are too heavily concentrated among the lower income groups.



Riders on the beach at Peel, one of the island's resorts

contributor to the economy. At one time, it was the most important industry; now it has far behind the financial sector and behind a small but growing manufacturing sector.

There was some slight recovery last year in the numbers arriving but compared with the good summers of 1975 and 1976 no real improvement has been made. This year could turn out to be better but it is far too early to be sure.

twiddling its thumbs. The big, and rising, demand at the moment is for self-catering accommodation and considerable amounts are being put into converting existing premises or building new units.

appointed in London to cover the South of England and earlier this year some 30,000 school children were brought to the island on educational day trips, a feature which is sure to be repeated next year.

## Industry revives

THE MANUFACTURING sector is the second most important in the Isle of Man's economy. After a long period in which it has been in the doldrums unofficial reports indicate that there is now more buoyancy in it than for several years.

### INDUSTRIAL INVESTMENT INCENTIVES

Investment grants:	40 per cent of costs of new buildings, plant and machinery.
First year grants:	40 per cent of non-recurring commissioning and running in expenditure.
Loans:	Half of working capital with deferment of repayment for two years.
Training grants:	Help towards training apprentices and half the cost of approved training costs in certain circumstances.
Transfer grants:	40 per cent of dismantling, freight and re-installation costs to employers transferring a manufacturing operation.
Rent reduction:	Assistance may be given to reflect the value of the building grant foregone.

In addition to the above, sites for industrial expansion are available and depreciation allowances are made.

Over most of this period income generated by manufacturing industry at current 1977 prices has been almost flat. In fiscal 1970-71 it amounted to £14.56m and in 1977-78 it was £14.51m. In only one year was there any improvement and that was 1974-75 when it jumped to £18m, quickly falling back the following year.

in attracting business to its financial sector that there is a serious possibility that the economy might become unbalanced and unhealthy dependent on this service industry.

Since 1970 the finance sector has tripled in importance and now accounts for almost a third of all the income generated on the island and with its continuing strength is bound to forge ahead. The authorities are clearly anxious to keep a balanced economy and so want to see manufacturing industry prosper.

Relief. It is because of this flat nature of the sector that the indications of buoyancy now apparent are being greeted with what amounts almost to relief. Unfortunately, because of the length of time between official figures being collected and published it probably will be another year before it can be proved whether the optimists are right.

To that end they now offer a range of grants which are competitive with almost anything offered on the mainland of the UK. These incentives are detailed in the accompanying panel but the important thing for a potential applicant to understand is that they are all selective. Unlike the regional aid scheme in the UK, no part of the Isle of Man system is mandatory.

Guidelines. In calendar 1978 there were 18 applicants for new investment and almost twice as many requests from existing industry for assistance towards expansion. These figures have been building up over the past few years and the indications are that they will be even higher this year.



The government has clear guidelines as to the sorts of industry it wants. The essential prerequisites are that newcomers should be producers with a high-technology, high-value content able to see most of their products off the island.



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# PORTFOLIO MANAGEMENT

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THE COMPANIES ACT, 1947  
1953

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LIMITED

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The Bank that's part of the island.  
Head Office: 2 Abbot Street, Douglas, Isle of Man. Tel: 0624 3881

J. A. Martin







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AUTHORISED UNIT TRUSTS

Table listing various unit trusts with columns for name, manager, and other details.

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OFFSHORE AND OVERSEAS FUNDS

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INSURANCE AND PROPERTY BONDS

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